

George W. Ball Papers (MC #031)
Box 42 Folder 10
Egypt-U.S. Business Council 1975 & 1977

JUL 30 1975

GENERAL MOTORS CORPORATION

GENERAL MOTORS BUILDING

DETROIT, MICHIGAN 48202

T. A. MURPHY
CHAIRMAN

July 28, 1975

Mr. George Ball
Senior Managing Director
Lehman Brothers, Inc.
One William Street
New York, New York 10004

Dear George:

As you know, the Middle East is an area of major importance to the United States business community, and one of the most significant countries of the area is the Arab Republic of Egypt. While Egypt does not have the extensive hydrocarbon resources which characterize some of its neighbors, its large population, its ambitious development plans, the significant amount of aid which it is receiving from its Arab allies and the developed world, as well as its political prominence in the Middle East make it a potentially very significant commercial partner of the United States. Relations with Egypt have been strained in recent years, but the country is now making very serious attempts to attract foreign investment and to expand its international trade.

This situation deserves the close attention of American business leadership, as well as that of senior economic policy-makers of our Government. The latter have expressed the desire, informally as well as officially, to see a greater unification and concentration of effort in the private sector to assist the Government in the development of effective policies and programs. There is obviously a need for the business community and the relevant agencies of the Federal Government to cooperate in the development of strategies which will help to ensure a viable and mutually beneficial economic relationship between Egypt and the United States. The issue is receiving a considerable amount of attention, but this attention is diffused among a large number of different agencies and institutions. The task, as seen by officials of the Administration, is to unify and stimulate the private sector's initiatives.

At a meeting of the Joint Working Group of Economic and Financial Cooperation in Cairo on November 4, 1974, it was agreed that the formation of a joint business council was desirable and that such a council could play a useful role in broadening contacts between the business sectors of the two countries and in facilitating the exchange of information on business opportunities. In response to this suggestion, and with the cooperation and support

July 28, 1975

of senior Administration officials, the Egypt-U.S. Business Council is now being formed. The U.S. Section of the Council will be composed of senior executives representing a cross section of American corporations with an interest in Egypt.

The Chamber of Commerce of the United States has agreed to sponsor the U.S. Section and has designated Mr. John V. E. Brewer, Associate Director for Near East and South Asian Affairs as Executive Secretary of the Council. The U.S. meetings of the Council will be held in the U.S. Chamber's offices at 1615 H Street, N.W., Washington, D.C.

It has been concluded that the membership of each section would number approximately forty at the outset. As the Steering Committee group will become members of the U.S. Section of the Council, this means that approximately twenty-five individuals from the U.S. will be added. There is attached a list of the fourteen Steering Committee members represented at the meeting which was held in Washington earlier this year. The Organization Meeting of the U.S. Section of the Council will be held in Washington on August 6, 1975 and it is anticipated that the first joint meeting with the Egyptian members will be held in Egypt in mid-October.

It is intended to have the initial membership of the Council provide a broad cross section of American industrial sectors which would be of interest to Egypt and also represent American companies of different sizes and geographical locations. I welcome the opportunity of asking you to join the Council and would look forward with pleasure in working with you in this endeavor. Alternates can be designated so that you can be represented at meetings where it would not be possible for you to attend. At the Organization Meeting, however, only the members of the Council should attend.

I sincerely hope that you can accept this invitation to be a member of the Council and that you will be able to attend the August 6th Organization Meeting in Washington, D.C. The program will begin with a luncheon and reception at 12:00 noon in the Alexander Hamilton Room at the Hay-Adams Hotel, 800-16th Street, N.W. The business portion of the meeting will be conducted immediately following the luncheon at the headquarters of the U.S. Chamber of Commerce, 1615 H Street, N.W. These two locations are within walking distance of each other. Egyptian Ambassador Ghorbal and Dr. Meguid, First Undersecretary, Arab and International Economic Cooperation Authority, as well as representatives from the U.S. Government will be present for the luncheon. In the interest of time, I would appreciate hearing from you by phone (313-556-3517) if you plan to attend. Prior to the organization meeting, you will be furnished a list of those who have accepted our invitation to become members as well as an agenda for the meeting.

Mr. George Ball

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July 28, 1975

I am confident that this undertaking can provide an important and positive contribution to expanded bilateral economic relations between Egypt and the United States to our mutual benefit. Specific information on the agenda will be forwarded to you if a favorable response is received.

Sincerely,

A handwritten signature in dark ink, appearing to be "Jimmy Carter", written in a cursive style.

Enclosure

STEERING COMMITTEE, U.S. SECTION

EGYPT-U.S. BUSINESS COUNCIL

Thomas A. Murphy (Chairman)
Chairman of the Board
General Motors Corporation

David Rockefeller
Chairman of the Board
Chase Manhattan Bank

J. R. Drumwright
President
Bank of America, New York

Arthur J. Santry, Jr.
President
Combustion Engineering, Inc.

J. K. Jamieson *
Chairman of the Board and
Chief Executive Officer
Exxon Corporation

Chauncey Schmidt
President
First National Bank of Chicago

Reginald H. Jones
Chairman of the Board
General Electric Company

Clifford D. Siverd
Chairman
American Cyanamid Company

Milton Lewis
Chairman
Ralph M. Parsons Company

E. Per Sorensen
Partner
Tippetts-Abbett-McCarthy-Stratton

Robert H. Malott
Chairman and President
FMC Corporation

Rawleigh Warner, Jr.
Chairman
Mobil Oil Corporation

John J. McMullen
Chairman
John J. McMullen Associates

F. Perry Wilson
Chairman
Union Carbide Corporation

*Mr. J. K. Jamieson is retiring effective
August 1st and will be replaced on the
Committee by Mr. C. C. Garvin.

MEMORANDUM
FOR OFFICE USE

FORM AL 002 150M 3-73

TO GWB

DATE 8/26/75

Re: Egypt-U.S. Business Council

Tom Murphy of General Motors is the businessman heading up the
Committee -- 18-313-556-3517

John Brewer of the US Chamber of Commerce is the Executive Secretary
of the Committee. -- 18-202-659-6116

FROM 

GENERAL MOTORS CORPORATION

GENERAL MOTORS BUILDING
DETROIT, MICHIGAN 48202

AUG 29 1975

T. A. MURPHY
CHAIRMAN

August 27, 1975

Mr. George W. Ball
Senior Partner
Lehman Brothers Incorporated
One William Street
New York, New York 10004

Dear George:

We had what I believe was a successful Founders Meeting of the U.S. Section of the Egypt-U.S. Business Council on August 6 and regret that your schedule did not permit you to be with us. However, John Brewer, the U.S. Section's Executive Secretary, informs me he has sent you a report on the meeting together with the press release and materials relating to the first joint meeting of the Council, scheduled for October 13-14 in Cairo.

The Cairo meeting will be an important factor in the future success of the Council, and I hope you will be able to attend personally. Any suggestions you might have as to topics for discussion with our Egyptian counterparts would be appreciated and can be forwarded to John Brewer at the Chamber of Commerce. Incidentally, Dr. Effat, Chairman of the Egyptian Section, has extended an invitation to the wives of Council members to accompany their husbands to Cairo and participate in a special separate program.

I look forward to seeing you in Cairo for what I think will be an interesting and productive meeting.

Sincerely,

T. A. Murphy

NOV 10 1975

GENERAL MOTORS CORPORATION

GENERAL MOTORS BUILDING
DETROIT, MICHIGAN 48202

T. A. MURPHY
CHAIRMAN

November 5, 1975

Mr. George W. Ball
Senior Partner
Lehman Brothers
One William Street
New York, New York 10004

Dear George:

Although you were unable to personally attend the recent meeting of the Egypt-U.S. Business Council in Cairo, I am very pleased that Mr. Griswold was able to attend on your behalf.

I personally found this session most stimulating and am hopeful that we have accomplished a great deal toward making trade relationships between our country and Egypt more effective. To a large degree, the actual results of these efforts will depend upon each firm's pursuit of individual trade relationships with Egypt.

I would be interested in any comments or suggestions you might have toward furthering the goals of the Council. In this connection, it is my understanding that Mr. John Brewer is in the process of forwarding a separate package of materials detailing the activities and discussions at the meeting which you might find useful as reference material. Also enclosed are some notes I prepared for use in a private discussion with President Sadat during his visit to the United States which I thought might be of interest.

Please express my thanks to Mr. Griswold and my appreciation for his active participation and assistance at the meeting.

Sincerely,



Enclosures

The U.S. section of the Egyptian-U.S. Trade Council thoroughly enjoyed their visit to Cairo and the very cordial reception they received from their Egyptian counterparts. We deeply appreciate the courtesies extended, including the very pleasant reception we received from President Sadat and his charming wife. The participation of the Prime Minister and the other Ministers in our joint sessions in Cairo was of great significance.

We feel that a unique opportunity has been presented for some meaningful progress toward significant trade relationships between our two great countries. To be truly productive advantages must flow to both sides and it is extremely important that the proper dispositions on both sides are present. From the American side I can assure you there is a sincere desire to do business with the Egyptians and all of the American section detected a desire on the part of the Egyptians to do business with the United States. Looked at from the perspective of an American businessman, there are some areas that would provide an atmosphere for moving ahead aggressively with investment and trade opportunities.

1. A more favorable climate is essential. Law 43 represents an important beginning and has aroused a great deal of interest from the standpoint of U.S. businessmen. The open door policy of the Egyptian Government is most encouraging.
2. However, a great deal of uncertainty still seems to be present. For example, the dual exchange rate, questions about the availability of foreign exchange and an indication that any export-oriented projects must generate their own foreign exchange requirements are discouraging. It seems manifestly unfair to require investment funds entering the country to come in at the official rate of exchange when most of the transactions in the country take place at the parallel rate -- this unfairly penalizes the investment funds in competition within the Egyptian economy.
3. The law and the regulations leave many points of considerable significance to potential investors to be negotiated and there is a great deal of uncertainty as to how this is to be accomplished. There seems to be a maze of Government bureaus without a unifying course necessary to implement even the most urgent of current proposals. There seems to be a bias in the law and regulations in the direction of restricting what is permitted without adequate attention being given to what is possible.

Our overall impression is that there is a great deal of room for improvement in the investment climate and a need to strengthen the private sector by the creation of a favorable investment climate. The importance of this cannot be underestimated. Individual companies have encountered difficulties in implementing plans that leave them with the feeling of frustration. Uncertainty as to responsibility within the various ministries as well as turn-over within the ministries have

created confusion. In some cases we have had reports where agreements reached with one Minister have been questioned or rejected by his successor or by another Minister.

From the Egyptian standpoint there is an obvious need for progress but there may be some tendency to try to do too much in too big bites in too short a time. The expectations of our ability to help may be exaggerated. It seems to me personally that it would be important to recognize:

1. Trade and investment from U.S. sources must be from the private sector. This involves individual businesses who are using not Government money but money invested by individuals on which they would expect a good return commensurate with their performance and the risk involved.
2. As a general observation, there are more opportunities for investment worldwide on the part of most businesses than are funds available. Because of the recession and inflation most U.S. businesses are short of capital funds and therefore they are reluctant to invest in any project either in the U.S. or in any overseas countries unless there is a good return.
3. To some extent there is a need for assumption of risk on the part of Egyptian partners both with respect to feasibility studies and obtaining the capital funds necessary to implement projects. Most U.S. businesses can ill-afford to spend money for feasibility studies with no assurance that they will be able to participate in the final project. All of the U.S. businessmen believe in competition and financial incentives. It is important that the Egyptians keep this in mind in evaluating possibilities.

It seems to me that the time is right to move ahead -- purposefully and carefully with some fundamental and highly visible projects. Rather than concentrating on projects of "a billion dollars magnitude" which tend to deter individual companies because of the enormity of the risk it would seem to me important to find a few highly visible projects to establish credibility on both sides as well as providing a foundation on which some of the major projects can be built. If the Egyptian Government could designate specific areas of interest there are U.S. companies ready and willing to move ahead with some of these projects. In many discussions, for example, with some of my associates, I found the following observations:

1. National Can has discussed a milk project and a canning project, both of which would seem to be highly important to the Egyptian economy. They would be fundamental and visible and, with the proper attention, could be implemented rather quickly.

2. GATX have been considering a tank storage operation in the Middle East for liquid products -- petrochemicals, petroleum products, chemicals and food products -- for which they are quite serious about locating such an operation in Egypt and would be ready to have some meaningful discussions looking toward early implementation.
3. Allis Chalmers are very interested in locating a plant for assembly of earth-moving equipment in the Middle East and if the proper arrangement could be made, possibly a trilateral participation, would look with favor on a location in Egypt.
4. There are others, including John J. McMullen & Associates, Ralph M. Parsons, Burlington Industries and Goodyear that have had some discussions and would welcome a face-to-face opportunity to work out a definitive program at an early date.

Such developments would seem to present a unique opportunity to demonstrate the dedication on both sides (Egypt and the United States) to do something. There is an obvious need for a demonstration that progress is being made if only for public relations reasons. There are possibilities on both sides that could be capitalized upon, particularly in the current period, as a follow-on to President Sadat's visit to the United States.

As President Sadat stated at the Economic Club, there is a need for American technology and know-how in Egypt. In this context, Egypt must be sure that the quality of their products and the programs are such that they will meet international standards. This, perhaps, is where the American side can be of most help. In today's environment it is not enough to have a desire to compete in world markets. It is necessary to have the capabilities to do what the market requires.

It would be most helpful in order to expedite investment projects for the Egyptian Government to take some actions along the following lines:

1. Establish clearly the responsibility for expediting projects. This could be a Minister reporting directly to the Prime Minister to whom an American company could go when it needs help in moving a project ahead. Under current standards, there seems to be a tendency for even the most important projects to bog down and such an individual with authority could see that they moved forward expeditiously.
2. An effective liaison between such an individual in Egypt and an equally high-level Egyptian representative in the U.S. would be most effective. There are many U.S. companies, large and small, who would not be disposed to making a trip to Cairo purely for exploratory purposes.

On the other hand, they may well be disposed to have a discussion with a knowledgeable Egyptian in the U.S. Such a discussion could develop a basis on which mutual projects might be uncovered and agreement reached on feasibility studies.

3. The important thing is to demonstrate right now the seriousness of intent on both sides and move ahead. I think this can be done. I think this is in accordance with the wishes of the Egyptian Government.

Egypt has some unique advantages -- a good work force with knowledge and skills, a delightful climate and a potentially attractive market. Obviously, these are not enough. Without the proper direction of projects little progress has been made in the past. The missing ingredient seems to have been incentives and expertise. The opportunity is here for the United States businessmen and the Egyptians to work out the best means for development and application of these.

One minor observation -- by streamlining entry procedures and removing the Customs Declarations which can be irritants to incoming travelers, tourism might be encouraged. The quality of hotel accommodations should be upgraded -- and not just in the "luxury" category. Maintenance standards must be raised if the hotels and other facilities are to be attractive to foreign visitors. The airport, for example, should be made to look more hospitable.

T.A.M.
10-30-75

file

October 19, 1977

Dear John:

I regret to inform you that Lehman Brothers has decided to resign from the Egypt-US Business Council and the Advisory Council on Japan-U.S. Economic Relations. As you know, I joined both of these committees at a time when we were opening offices in both Japan and Egypt. We now handle our foreign operations out of London.

I have enjoyed meeting with you on the work of these committees, and you have my best wishes for continued success.

Sincerely yours,

George W. Ball

Mr. John Caldwell
Executive Director
Advisory Council on
Japan-U.S. Economic Relations
1615 H Street, N.W.
Washington, D.C. 20062